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Message Text

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64
ACTION EB-11

INFO OCT-01 ARA-11 ADP-00 SCEM-02 INT-08 SS-15 NSC-10 L-03

CIAE-00 INR-10 NSAE-00 RSC-01 IGA-02 AID-20 OPIC-12

COME-00 AGR-20 OMB-01 TRSE-00 XMB-07 RSR-01 /135 W
---------- 109908
R 022122Z JUL 73
FM AMEMBASSY CARACAS
TO SECSTATE WASHDC 400
INFO AMEMBASSY LIMA

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E.O. 11652: N/A
TAGS: EFIN VE
SUBJECT: FOREIGN INVESTMENT INFORMATION FOR FY 1974 FACT BOOK.

REF: (A) STATE A-1975; (B) CARACAS A-169; (C) STATE 128631

1. IN ACCORDANCE WITH INSTRUCTIONS PARAGRAPH 1-B REF A, EMBASSY PROVIDED IN REF B AS MUCH DETAIL AS POSSIBLE WHICH COULD BE CONTAINED IN ONE TYPEWRITTEN PAGE ON INVESTMENT CLIMATE. VENEZUELA NOW COMPLETING LEGISLATIVE PROCESS FOR ENTRY ANDEAN PACT. ONCE PROCESS COMPLETED DECISION 24 OF AGREEMENT OF CARTAGENA WILL BE INVESTMENT LAW OF LAND, ALTHOUGH KNOWLEDGEABLE OFFICIALS HERE BELIEVE GOVERNMENT WOULD HAVE TO PASS ADDITIONAL LEGISLATION TO DEAL WITH AREAS OF FLEXIBILITY IN DECISION 24 IN WHICH INDIVIDUAL MEMBERS OF PACT ARE GIVEN DISCRETION. INTRODUCTION OF SUCH BILL OBVIOUSLY WOULD NOT TAKE PLACE UNTIL 1974 AFTER PRESIDENTIAL ELECTION. DEPARTMENT HAS COMPLETE TRANSLATION OF DECISION 24 AS WELL AS OTHER PERTINENT SECTION OF AGREEMENT OF CARTAGENA AFFECTING FOREIGN INVESTMENT. IN RESPONSE TO ISSUES SUGGESTED IN GUIDELINES EMBASSY SUBMITS FOLLOWING ADDITIONAL INFORMATION RE LEGISLATION AFFECTING U.S. INVESTMENT INTERESTS IN
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VENEZUELA.

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2. PENDING BEFORE PRESENT SESSION OF CONGRESS ARE TWO BILLS DESIGNED TO PROMOTE NON-TRADITIONAL EXPORTS. ONE IS THE EXPORT INCENTIVES BILL WHICH PROVIDES FOR FISCAL INCENTIVES FOR NON-TRADITIONAL EXPORTS INFORM OF NEGOTIABLE TAX VOUCHER BASED ON DOMESTIC VALUE ADDED. SUBSIDY WOULD BE PAID DIRECTLY TO EXPORTER UPON SUB-MISSION OF EVIDENCE OF EXPORTATION AND AMOUNT FOREIGN EXCHANGE REALIZED. WHILE VENEZUELA NOT YET MEMBER OF GATT, SUCH EXPORT SUBSIDES MAY RUN COUNTER TO GATT AS WELL AS REQUIRE COUNTERVAILING DUTIES IN U.S. AND OTHER TRADITIONAL IMPORTERS OF VENEZUELAN PRODUCTS. OTHER BILL WOULD ESTABLISH EXPORT FINANCING FUND TO PROVIDE CREDIT FACILITIES FOR EXPORTERS OF NONTRADITIONAL GOODS AND SERVICES OF NATIONAL ORIGIN CONSIDERED IMPORTANT FOR VENE-ZUELA'S ECONOMIC DEVELOPMENT.

3. INTERNAL MARKETING OF PETROLEUM LAW WAS RECENTLY PASSED WHICH PROVIDES THAT CVP (NATIONAL PETROLEUM COMPANY) MUST HANDLE INTERNAL MARKETING OF VENEZUELAN PETROLEUM PRODUCTS. THUS ALL SERVICE STATIONS NOW OWNED OR OPERATED BY FOREIGN PETROLEUM COMPANIES WILL BE TAKEN OVER BY CVP.

4. VENEZUELAN MERCHANT MARINE PROTECTION AND DEVELOPMENT BILL HAS BEEN APPROVED BY SENATE AND IS EXPECTED TO HAVE FINAL APPROVAL BY CHAMBER OF DEPUTIES SOON. THIS BILL PROVIDES THAT 50 PERCENT GENERAL CARGO AND EVENTUALLY BULK (INCLUDING PETROLEUM) EXPORTS AND IMPORTS MUST BE CARRIED ON VENEZUELAN SHIPS. 100 PERCENT OF GOVERNMENT CARGO WOULD HAVE TO BE TRANSPORTED BY VENEZUELAN SHIPS.

5. OPIC HAS INSURED A VERY SMALL PERCENTAGE OF TOTAL U.S. FOREIGN INVESTMENT HERE AND IS NOT CONSIDERED BY GOVERNMENT TO BE IMPORTANT TO ITS DEVELOPMENT PROGRAM. OPIC HAS BEEN OPERATING HERE WITHOUT ANY AGREEMENT FOR THE SETTLEMENT OF DISPUTES INCLUDING INTERNATIONAL ARBI-TRATION AND SUBROGATION OF RIGHTS, WHICH IS PROHIBITED BY ARTICLE 51 OF DECISION 24 OF ANDEAN PACT. OPIC HAS SUSPENDED OPERATIONS HERE UNTIL ITS BOARD DECIDES
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WHETHER IT CAN CONTINUE TO OPERATE HERE WITHOUT FORMAL BILATERAL AGREEMENT.
MCCLINTOCK

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 02 JUL 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: worrelsw
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973CARACA05707
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: n/a
From: CARACAS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19730759/aaaabrfi.tel
Line Count: 111
Locator: TEXT ON-LINE
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 73 STATE A-1975, 73 CARACAS A-169, 73 STATE 128631
Review Action: RELEASED, APPROVED
Review Authority: worrelsw
Review Comment: n/a
Review Content Flags:
Review Date: 24 JAN 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <24-Jan-2002 by willialc>; APPROVED <28 FEB 2002 by worrelsw>
Review Markings:

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US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: FOREIGN INVESTMENT INFORMATION FOR FY 1974 FACT BOOK.
TAGS: EFIN, VE
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

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